

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	351.45	0.00	19.00	370.45	0.00	24.00	375.45	375.45
Personal Services	15,515,496	1,482,593	822,573	17,820,662	1,530,817	1,038,717	18,085,030	35,905,692
Operating Expenses	4,189,701	575,586	86,525	4,851,812	640,393	106,000	4,936,094	9,787,906
Equipment	0	87,121	0	87,121	87,121	0	87,121	174,242
Grants	6,486,919	0	0	6,486,919	0	0	6,486,919	12,973,838
Benefits & Claims	28,991,714	5,416,953	1,002,527	35,411,194	8,905,309	1,002,527	38,899,550	74,310,744
Debt Service	84,834	0	0	84,834	0	0	84,834	169,668
Total Costs	\$55,268,664	\$7,562,253	\$1,911,625	\$64,742,542	\$11,163,640	\$2,147,244	\$68,579,548	\$133,322,090
General Fund	25,173,114	4,493,483	2,988,923	32,655,520	6,632,102	3,130,261	34,935,477	67,590,997
State/Other Special	2,126,337	(6)	266,787	2,393,118	(5)	266,787	2,393,119	4,786,237
Federal Special	27,969,213	3,068,776	(1,344,085)	29,693,904	4,531,543	(1,249,804)	31,250,952	60,944,856
Total Funds	\$55,268,664	\$7,562,253	\$1,911,625	\$64,742,542	\$11,163,640	\$2,147,244	\$68,579,548	\$133,322,090

Program Description

The Child and Family Services Division (CFSD) provides state and federally mandated protective services to children who are abused, neglected, or abandoned by receiving and investigating reports of child abuse and neglect, working to prevent domestic violence, helping families to stay together or reunite, and finding placements in foster or adoptive homes, and other programs designed to support the overarching mission of CFSD to keep children safe and families strong. CFSD oversees five regional offices that administer programs and are advised by Local Family Services Advisory Councils and a Native American Advisory Council, which serve as the link between local communities and DPHHS. CFSD is the primary user of the statewide Child and Adult Protective Services (CAPS) computer system.

Statutory authority for the program is provided in Titles 41, 42, and 52, MCA, and 45 CFR, Parts 1355, 1356, 1357 and 1370.

Program Highlights

Child and Family Services Division Major Budget Highlights	
♦	The \$17.2 million general fund increase contained in the 2009 biennium budget is over 34 percent greater than the 2007 doubled FY 2006 base general fund due primarily to about \$2.0 million in statewide and other present law adjustments and: <ul style="list-style-type: none"> Increased foster care and subsidized adoption caseload - \$7.9 million Cost shifts due to the Deficit Reduction Act - \$4.1 million Changes in the Federal Medical Assistance Percentage (FMAP) - \$0.9 million Requested new proposals for staffing - \$1.0 million
♦	The \$4.5 million federal fund decrease contained in the 2009 biennium budget is due primarily to: <ul style="list-style-type: none"> Increased foster care and subsidized adoption caseload - \$6.4 million Statewide and other present law adjustments - \$3.5 million An offset of about \$5.0 million the Deficit Reduction Act and changes in FMAP
♦	Major improvements to the Child and Adult Protective Services System (CAPS) are included in legislation for technology Improvement and are estimated at \$4.9 million general fund and \$4.0 million federal funds

LFD Major Issues

- | |
|---|
| ◆ The foster care caseload may be overestimated |
|---|

Program Narrative

Over the past several years Congress and state legislatures have addressed the provision of protective services faced by CFSD and its counterparts nationwide on both the policy and financial front, as a means to ensure the best possible programs are funded, established, monitored, and nurtured.

At the forefront of this improvement process was the congressionally authorized review of state child welfare systems called the Child and Family Services Reviews (CFSR or review), which began in 2002.

There are two primary factors that have governed the evolution of CFSD over the past few years. The first is the review and its impact on the CFSD, and the second is an effort to reduce the use of general fund by increasing federal funding and state special revenue that was implemented by the 2003 Legislature in the areas of: 1) targeted case management; 2) Title IV-E eligibility for children in foster care; and 3) increasing Social Security benefits for children in foster care.

The Federal Child and Family Services Reviews and Compliance with IV-E Requirements

The 2005 Legislature addressed two federal reviews of CFSD services and responded with initiative support. The reviews were:

- The Administration for Children and Families (ACF) Review in FY 2002 focused on evaluation and compliance based upon newly developed positive outcome performance measures for children in the areas of safety, permanency, and well-being. Montana did not achieve compliance on all outcomes, and negotiated a program performance improvement plan (PIP) that received federal approval in January of 2004 and federal notification of successful completion in May, 2006
- A review of the federal Title IV-E eligibility compliance was completed in June of 2003. Compliance issues were found, and the CFSD estimate that about 60 percent of the children CFSD served during the biennium would be eligible for Title IV-E funding was reduced to about 38 percent eligibility. The division had to pay back the federal funds for ineligible children, and incurred a budget shortfall of \$1.1 million for FY 2005. CFSD negotiated a two-year corrective action plan to address the compliance issues in this review. ACF conducted a follow-up Title IV-E review in July, 2006. The compliance rate in the 2006 review was 99.3 percent compared with a compliance rate of 63.7 percent in the 2003 review

To assist the division with workload and federal compliance issues the 2005 Legislature rejected a proposed reduction in staffing that would have removed \$0.5 million for support of about 6.35 FTE, and provided an additional \$0.5 million for the biennium to reduce the vacancy savings rate for field staff from 4 to 2 percent.

Previous Legislative Action

Figure 24 shows the decrease in general fund in the 2005 biennium that resulted from the 2003 Legislature's approval of three options for the division to reduce general fund by increasing federal funding and state special revenue mentioned earlier. Many states made the same efforts to increase federal funding and decrease use of state revenues. Congress eliminated most of this opportunity in a federal budget balancing effort and the passage of the federal Deficit Reduction Act, which is one of the drivers of the 2009 biennium increase in general fund reflected in Figure 24.

Figure 24 Use of the General Fund		
Biennium	General Fund	Increase/decrease
2003 Actual	\$43,162,557	
2005 Actual	40,970,711	-5.1%
2007 Actual	51,958,876	26.8%
2009 Projected	\$67,618,291	30.1%

The increase in general fund for the 2007 biennium was due to the legislative efforts to: 1) address staffing, that was mentioned earlier; 2) provide substantial increases in foster care, subsidized adoption, and targeted case management to help address division growth in response to the review and case load growth; and 3) to support a rate increase for family and group home foster care providers.

Addressing Present Issues

The Governor's total biennial budget is nearly a 19 percent increase over the 2007 biennium total budget. It includes

\$18.7 million in present law adjustments and \$4.1 million in new requests over the biennium. The Governor's requests respond to federal DRA changes, increases in foster care and subsidized adoption caseloads, and provides for more social workers to address workloads. Although the Governor's budget does tie to division goals, it has a potential \$20.5 million impact on the general fund, \$5 million of which is contained in technology legislation for the Child & Adult Protective Services (CAPS) computer system.

Policy and fiscal concerns for the 2007 Legislature include balancing funding to CFSD infrastructure support, while addressing the following major drivers of increased general fund (listed with amounts recommended by the Governor):

- Cost shifts due to the federal Deficit Reduction Act - \$4.1 million
- Growth and changes in caseload - \$7.9 million
- Requested new proposals for staffing - \$1.0 million
- Increasing state share from FMAP - \$0.9 million
- The CAPS computer system (other legislation) - \$4.6 million

The major issues are addressed below.

The Federal Deficit Reduction Act (DRA)

The DRA impacts three areas of the CFSD programs and increases general fund recommended by the Governor by about \$4.1 million over the biennium with an equal reduction in federal funds:

- Elimination of targeted case management - \$3.6 million
- Elimination of TCM mental health benefits provided by the Health Resources Division - \$375,000
- Elimination of IV-E match in certain situations - \$172,000

There is a full discussion of the federal Deficit Reduction Act in the agency summary at the beginning of Section B of this volume.

Targeted Case management

Targeted case management is a group 'targeted' by the department to receive case management for child welfare services as a Medicaid reimbursable service. The 2005 Legislature supported a case management proposal, which would allow eligible children in the child welfare system to receive federal Medicaid funding for some services rather than using general fund.

The division believes that the DRA final rules could disallow: 1) TCM Medicaid reimbursement for case management services provided by child welfare workers programs, effective January 1, 2006; and 2) mental health case management for children in foster care that is available from other sources such as the Health Resources Division. Although the state has not received final guidance from the federal Medicaid agency, it has submitted requests of about \$3.7 million in general fund over the biennium in anticipation of an equal loss of federal funds. There is further discussion with present law and new proposal sections.

Kinship Care and Home of Removal

The DRA narrows the licensing requirement of relative caregivers retroactive to October 1, 2005, impacting administrative funding attached to children in unlicensed foster care homes that the division was previously allowed to claim. The division does not expect this change to impact services currently provided to children in the foster care system, but is waiting for clarification from the Administration on Children and Families with regard to how this provision should be implemented. The Governor has submitted a \$172,000 request to cover the loss of federal funds that is further discussed in the new proposal section.

The DRA also changed the home of removal requirement determining that a child's eligibility must now be based on the home from which the child was legally removed due to allegations of abuse and neglect, *not* based on the home the child resided in over the past six months *or* the home of removal. The division does not expect the change to impact the services currently provided, but does estimate about 20 children will no longer be eligible for Title IV-E funding, and the division could experience a loss of about \$75,000 per year in federal funds, which the division intends to absorb in its budget and not submit a funding request.

The 2007 Children, Family, Health and Human Services Interim Committee opted to introduce legislation to clarify support given by relative caregivers in areas ranging from consent medical attention and school enrollment to continuing custody and rights to contact with grandchildren. As of this writing there are no fiscal notes attached to any of the legislation.

Addressing systemic change

Two issues addressed by the 2005 Legislature were also examined by the 2007 Children, Family, Health and Human Services Interim Committee. One related to staffing of CFSD services, and the other was the growth in both foster care and subsidized adoption case load primarily driven by: 1) more children going into subsidized adoption than aging out; 2) an increase in the number of children needing out-of-home placement for safety; and 2) the increased length of time children spend in the system due to addictions of the birth parents.

Foster Care and Subsidized Adoption Caseload

The growth in caseload and expenditures in foster care and subsidized adoption are projected in Montana and nationwide to be challenging, increasing drivers of both increased use of the general fund and management issues related to social worker to caseload ratios, recruiting foster and adoptive parents, and reimbursement rates for individual or non-profit service providers. The historical increases in the number of foster care and subsidized adoption clients and related costs are shown in Figures 25 and 26.

Figure 25

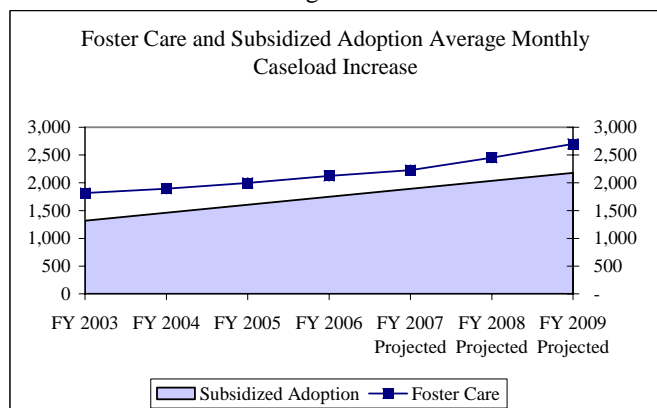
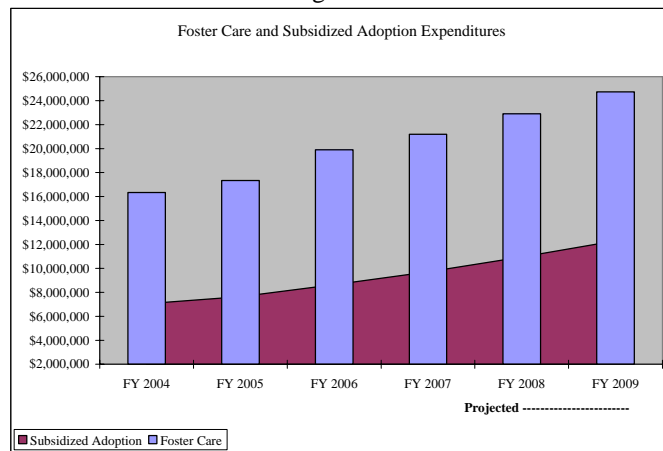


Figure 26



Foster care and subsidized adoption expenditures are projected to steadily increase. The primary factor for both increases is substance abuse, including methamphetamine, which has increased the difficulty of family reunification as children are faced with longer out-of-home placement while families learn to manage addictive behavior. Additionally, research indicates that children born under the influence of 'meth' show increased levels of disability, which increases the eligibility for subsidized adoption, and complicates caseload growth in a program in which the number of new adoptions for children with special needs presently exceeds the number of children aging out of the program. The negotiation of new subsidized adoption contracts also increases costs because new subsidies are generally negotiated at a higher reimbursement rate than earlier contracts.

The growth of general fund becomes graphic when one compares the actions of the past two legislatures to the requests facing the 2007 Legislature that addressed foster care and subsidized adoption caseload increases and related expenditures.

- The 2003 Legislature appropriated \$2.5 million general fund for an increase in subsidized adoption (there was no request for a foster care increase)
- The 2005 legislature approved \$3.3 million in general fund comprising a \$1.3 million increase in general fund for foster care case load and \$2.0 million general fund for subsidized adoption
- The 2007 legislature could consider \$7.8 million in general fund comprising \$2.2 million for increased case load for subsidized adoption and \$5.6 million for foster care.

The requests are discussed in greater detail in the present law section of this analysis.

The Governor's budget includes funding for a 10 percent increase per year in foster care caseload and about an 11 percent increase per year in subsidized adoption.

Staffing Issues

As mentioned earlier, the 2005 Legislature intended to assist the division with workload and federal compliance issues. It was the intent of the legislature that CSFD use a reduction from 4 percent to 2 percent in vacancy savings for field staff to fill positions quickly. However, the division still has issues with recruitment and retention.

The Governor included a request that the 2007 Legislature consider \$1.7 million (\$1.0 million of general fund) for 20 new FTE to respond to this issue. There is further discussion about the request in the new proposal section below. However, the legislature may wish to discuss proactive strategies to identify the actual present and future staffing needs, costs, and potential funding streams.

- Does the division have a three to five year projection of staffing numbers and costs that tie to its foster case and adoption goals and objectives?
- How many social workers are presently needed to perform at the optimum for federal and state goals and objectives? How does the state recruit, train, support, and retain social workers?
- What is the division's approach to community partnerships? Is there an opportunity for cost savings if better partnerships are developed?
- If the legislature funds the request for FTE, how would the division measure the success of the appropriation fiscally and systemically?

There is further discussion in the new proposal section.

The Child & Adult Protective Services System (CAPS)

CAPS is an automated social services information system covering all major program areas of child and adult protective services and juvenile corrections including case management and billing or payment processing functions.

CAPS is funded, maintained, and supported by the Technical Services Division (TSD) of this department and funding is contained in the TSD budget. The legislature will hear testimony on the CAPS system in conjunction with a statewide IT long-range planning program bill and the Health and Human Services Subcommittee will discuss the CAPS system in the context of the TSD budget request of \$8.8 million for the CAPS system through:

- Present law increases of \$220,000 for a system management increase in cost of living and level of effort
 - Level of effort refers to the number of dedicated programming hours (usually 156.7 per month) that a contractor will provide per the terms of the contract for system maintenance
- Other legislation of \$8.3 million (at the time of this writing) for a new CAPS system comprising \$4.6 million general fund and \$3.6 million federal funds.

There is further discussion including LFD recommendations in the Technology Services Division section of this volume of the 2009 Biennium Legislative Budget Analysis.

Summary of Benefits and Grants

The combined funds of foster care and subsidized adoption comprise 98.7 percent of the benefit and claims costs of the division. The costs and funding of benefits and claims, and list the grants for FY 2006 and the 2009 biennium are summarized in Figure 27 on page B-48. Grants for in-home and reunification services comprise 31.8 percent of the same category, followed closely by tribal contracts at 26.2 percent. Tribal contracts are primarily for stipends to students obtaining degrees in social work that are funded with federal Title IV-E funding.

The Children's Trust Fund listed in the grant category serves Montana's limited prevention and early intervention services. Although its funds are generally outside of HB2, the trust fund is administratively attached to the department and is primarily funded from the Montana income tax check off, divorce filing fees, and the community-based child abuse prevention grant. State and federal mandates guide trust money to support nonprofit, community-based organizations that provide services and activities dedicated to preventing child abuse and neglect statewide, and focuses on programs that work with children between birth and 5 years of age. Funds from the trust are used as match for the federal community based resource grant. The \$41,253 listed is for a grant to be managed by the trust advisory committee.

Figure 27
Child and Family Services Division
Summary of Benefit and Grant Costs and Funding

	Fiscal 2006 Base				Fiscal 2008 Requested				Fiscal 2009 Requested				Percent Total
	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	
Foster Care	\$10,316,388	\$1,996,959	\$7,589,020	\$19,902,366	\$13,144,068	\$2,263,984	\$8,586,407	\$23,994,458	\$14,733,202	\$2,264,229	\$9,299,251	\$26,296,682	67.6%
Subsidized Adoption	3,249,291	0	5,346,495	8,595,786	4,299,132	0	6,624,042	10,923,174	4,785,029	0	7,324,277	12,109,306	31.1%
Chafee - Independent Living	0	0	94,240	94,240	0	0	94,240	94,240	0	0	94,240	94,240	0.2%
Chafee - ETV	0	0	155,813	155,813	0	0	155,813	155,813	0	0	155,813	155,813	0.4%
Big Brothers and Sisters	90,000	0	0	90,000	90,000	0	0	90,000	90,000	0	0	90,000	0.2%
In home and Reunification	72,771	0	80,738	153,509	73,369	0	80,140	153,509	73,367	0	80,142	153,509	0.4%
Total Benefits & Claims	<u>\$13,728,450</u>	<u>\$1,996,959</u>	<u>\$13,266,306</u>	<u>\$28,991,714</u>	<u>\$17,606,569</u>	<u>\$2,263,984</u>	<u>\$15,540,642</u>	<u>\$35,411,194</u>	<u>\$19,681,598</u>	<u>\$2,264,229</u>	<u>\$16,953,723</u>	<u>\$38,899,550</u>	<u>100.0%</u>
Access and Visitation	\$13,162	\$0	\$99,207	\$112,369	\$13,162	\$0	\$99,207	\$112,369	\$13,162	\$0	\$99,207	\$112,369	1.7%
Tribal Contracts	317,571	0	1,381,127	1,698,698	317,571	0	1,381,127	1,698,698	317,571	0	1,381,127	1,698,698	26.2%
IV-E Pass Through	0	0	1,099,999	1,099,999	0	0	1,099,999	1,099,999	0	0	1,099,999	1,099,999	17.0%
Children's Trust Fund	0	41,253	0	41,253	0	41,253	0	41,253	0	41,253	0	41,253	0.6%
Chafee - Independent Living	0	0	370,768	370,768	0	0	370,768	370,768	0	0	370,768	370,768	5.7%
Community Based Challenge	0	0	191,288	191,288	0	0	191,288	191,288	0	0	191,288	191,288	2.9%
Domestic Violence	115,128	74,060	722,849	912,037	115,128	74,060	722,849	912,037	115,128	74,060	722,849	912,037	14.1%
In-home & Reunification	976,781	0	1,083,726	2,060,507	976,781	0	1,083,726	2,060,507	976,781	0	1,083,726	2,060,507	31.8%
Total Grants	<u>\$1,422,642</u>	<u>\$115,313</u>	<u>\$4,948,964</u>	<u>\$6,486,919</u>	<u>\$1,422,642</u>	<u>\$115,313</u>	<u>\$4,948,964</u>	<u>\$6,486,919</u>	<u>\$1,422,642</u>	<u>\$115,313</u>	<u>\$4,948,964</u>	<u>\$6,486,919</u>	<u>100.0%</u>

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table Child & Family Services						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 25,173,114	45.5%	\$ 32,655,520	50.4%	#####	50.9%
01100 General Fund	25,173,114	45.5%	32,655,520	50.4%	34,935,477	50.9%
02000 Total State Special Funds	2,126,337	3.8%	2,393,118	3.7%	2,393,119	3.5%
02089 Child Abuse & Neglect Program	41,253	0.1%	41,253	0.1%	41,253	0.1%
02209 Third Party Contributions-F.C.	2,000,000	3.6%	2,266,787	3.5%	2,266,787	3.3%
02376 02 Indirect Activity Prog 03	1,668	0.0%	1,662	0.0%	1,663	0.0%
02473 Assault Intervention & Trtmnt	74,714	0.1%	74,714	0.1%	74,714	0.1%
02496 Family Preservation Conference	8,702	0.0%	8,702	0.0%	8,702	0.0%
03000 Total Federal Special Funds	27,969,213	50.6%	29,693,904	45.9%	31,250,952	45.6%
03109 Tanf Benefits	2,344,001	4.2%	2,344,001	3.6%	2,344,001	3.4%
03224 Access & Visitation Grt 93.597	70,745	0.1%	70,745	0.1%	70,745	0.1%
03458 6901 - Chafee - Etv 93.599	155,813	0.3%	155,813	0.2%	155,813	0.2%
03522 93.556 - Family Preservation	1,246,462	2.3%	1,276,759	2.0%	1,276,841	1.9%
03526 93.643 - Child Justice	103,937	0.2%	104,024	0.2%	104,029	0.2%
03530 6901-Foster Care 93.658	8,361,495	15.1%	9,379,726	14.5%	10,094,087	14.7%
03531 6901-Subsidized Adopt 93.659	5,375,537	9.7%	6,655,333	10.3%	7,355,701	10.7%
03532 93.669 - Child Abuse	112,396	0.2%	112,412	0.2%	112,413	0.2%
03533 93.671 - Domestic Violence	729,231	1.3%	729,231	1.1%	729,231	1.1%
03534 93.672 - Child Abuse Challenge	203,672	0.4%	203,778	0.3%	203,820	0.3%
03536 93.674 - Iv-E Independent Livi	482,435	0.9%	482,435	0.7%	482,435	0.7%
03593 03 Indirect Activity Prog 03	8,783,489	15.9%	8,179,647	12.6%	8,321,836	12.1%
Grand Total	<u>55,268,664</u>	<u>100.0%</u>	<u>64,742,542</u>	<u>100.0%</u>	<u>68,579,548</u>	<u>100.0%</u>

This division is funded from a variety of sources, and the funding and federal matching rates vary by function. Some costs are allocated among funding sources through a complex federally approved cost allocation plan that considers such factors as the results of a random moment in time study of social worker time spent on various activities.

General fund comprises 51 percent of the budget, with most used as matching funds to draw federal funds. Federal foster care and adoption subsidy funds comprise 29 percent, and federal funds obtained through the cost allocation process comprise 12 percent. The only major activity of the division that is supported entirely by the general fund is the centralized intake function.

State special revenue primarily comprises payment for cost of foster care from a wide variant of third party contributions such as parental payments, collections from child support enforcement for children in foster care, supplemental security income (SSI) for eligible children.

Biennial Comparison

The 2009 biennium budget for the division shown in Figure 28 reflects a general fund increase of more than \$15 million. This amount does not include the \$4.9 million general fund for the CAPS computer system that is included in other legislation (LC 712). Increases in the general fund are primarily due to the cost shifts related to the federal deficit reduction act, growth and changes in caseload, the state share of the increased FMAP rate, and a request to add 24.00 new FTE over the biennium. Statewide present law adjustments account for \$1.5 million of the increase and is split between general fund and federal funds. The balance of the federal fund increase is related to requests discussed in the following two sections.

Figure 28 2007 Biennium Compared to 2009 Biennium Child and Family Services Division					
Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	351.45	375.45		24.00	
Personal Services	\$32,911,089	\$35,905,692	26.9%	\$2,994,603	9.1%
Operating	7,853,901	9,787,906	7.3%	1,934,005	24.6%
Equipment	0	174,242	0.1%	174,242	NA
Grants	13,327,510	12,973,838	9.7%	(353,672)	-2.7%
Benefits/Claims	58,129,479	74,310,744	55.7%	16,181,265	27.8%
Debt Service	173,521	169,668	0.1%	(3,853)	-2.2%
Total Costs	<u>\$112,395,500</u>	<u>\$133,322,090</u>	<u>100.0%</u>	<u>\$20,926,590</u>	<u>18.6%</u>
General Fund	\$51,958,876	\$67,590,997	50.7%	\$15,632,121	30.1%
State Special	4,010,098	4,786,237	3.6%	776,139	19.4%
Federal Funds	<u>56,426,526</u>	<u>60,944,856</u>	<u>45.7%</u>	<u>4,518,330</u>	<u>8.0%</u>
Total Funds	<u>\$112,395,500</u>	<u>\$133,322,090</u>	<u>100.0%</u>	<u>\$20,926,590</u>	<u>18.6%</u>

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,975,383					2,025,623
Vacancy Savings					(699,649)					(701,665)
Inflation/Deflation					117,244					123,525
Fixed Costs					10,304					16,305
Total Statewide Present Law Adjustments					\$1,403,282					\$1,463,788
DP 30001 - Foster Care Caseload Increase										
	0.00	2,070,009	0	1,019,556	3,089,565	0.00	3,612,499	0	1,779,290	5,391,789
DP 30002 - Subsidized Adoption Caseload Increase										
	0.00	879,753	0	1,447,635	2,327,388	0.00	1,328,111	0	2,185,409	3,513,520
DP 30004 - FMAP Changes										
	0.00	383,116	0	(383,116)	0	0.00	467,670	0	(467,670)	0
DP 30005 - Mental Health Case Management-SW Caseload Increase										
	0.00	187,500	0	62,500	250,000	0.00	187,500	0	62,500	250,000
DP 30006 - CFSD Overtime										
	0.00	124,021	0	82,838	206,859	0.00	124,021	0	82,838	206,859
DP 30007 - CFSD Rent Increases										
	0.00	118,823	0	79,215	198,038	0.00	150,338	0	100,225	250,563
DP 30016 - Replacement computers/servers and other equipment										
	0.00	52,273	0	34,848	87,121	0.00	52,273	0	34,848	87,121
Total Other Present Law Adjustments										
	0.00	\$3,815,495	\$0	\$2,343,476	\$6,158,971	0.00	\$5,922,412	\$0	\$3,777,440	\$9,699,852
Grand Total All Present Law Adjustments										
					\$7,562,253					\$11,163,640

LFD COMMENT

About 40 percent of the of the biennial statewide present law increase is due to the implementation of the pay plan approved by the 2005 Legislature while 20 percent is due to funding vacant positions at the full amount to establish the budget for the biennium. Salary upgrades and competitive market adjustment comprise 6 percent of the increase, and the balance of the overall increase is primarily driven by the standard increases in longevity, health insurance, and benefits.

Inflation / deflation and fixed cost increases for this budget are driven by costs assigned to motor pool leased vehicles and motor pool rate increases, DOA rent increases, postage and mailing, and utilities.

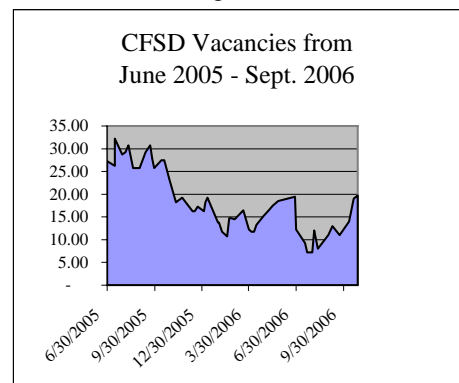
According to staff, vacancy savings is usually contributed to centralized intake because of the nature of the work in a center that operates on a 24 hour and 7 days a week basis, but recently the Program Bureau has had several people retire or take other jobs. There is a department-wide policy that positions must remain open for 30 days after the payout is complete. However, an exception has been granted for social workers and social worker supervisors due to the critical nature of the work.

Initiative from Last Session – Vacancy Savings

As mentioned in the program narrative, as a means to assist the division with workload and federal compliance issues, the 2005 Legislature provided \$0.5 million for the biennium to reduce the vacancy saving rate for field staff from 4 to 2 percent.

While it was the intent of the legislature that CSFD use the funding to fill the positions quickly, the division has not been able to do so as quickly as it had hoped and discussed with the subcommittee during the past session. Although the division has no positions that are intentionally left open, there are geographic areas, such as Poplar/Wolf Point, in which a position must be advertised numerous times before it is filled. Figure 29, provided by CFSD staff, shows the vacancies from June 2005 through September 2006.

Figure 29



LFD COMMENT

The division justification for the foster care and subsidized adoption caseload increases are similar and the discussion is combined. There is further discussion of both increases in the program narrative.

DP 30001 - Foster Care Caseload Increase - The Governor requests \$8.4 million over the biennium for a projected increase in caseload for the Foster Care Program. Funding would be split \$5.6 million general fund and \$2.7 million federal funds over the biennium. The funding for this proposal is 67 percent general fund and 33 percent federal funds.

DP 30002 - Subsidized Adoption Caseload Increase - The Governor requests \$5.8 million over the biennium for a projected increase in caseload for the Subsidized Adoption Program. Funding would be split \$2.2 million general fund and \$3.6 million federal funds over the biennium. The funding for this proposal is 37.8 percent general fund and 62.2 percent federal funds.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification:

- The foster care caseload increased about 20 percent from November, 2002 to October, 2005. 65 percent of all child welfare cases are alcohol and drug related and the number of children in care affected by 'meth' is going up. The increase in cases related to 'meth' addiction increases the amount of work involved in managing child abuse and neglect cases because these cases: 1) require a more intense level of service; 2) have more complicated and difficult reunification issues; and 3) require a longer out-of-home placement as families work through addiction problems.
- The request to increase the Subsidized Adoption Program by 11.67 percent in FY2008 and 10.82 percent in FY2009 is to account for a projected increase in the caseload. The subsidized adoption caseload will increase every year because the number of new adoptions exceeds the number of children aging out of the program.

Additional FTE for this increase in caseload are requested in NP 30010, additional field staff.

Goals, Objectives and Milestones: Eligible individuals will continue to receive appropriate care as authorized by the program's rules. The department will control growth of caseload by providing services to clients at risk of entering the foster care system, and move children that have special needs towards permanency and adoption. The program will continue to provide high quality services to clients who require intervention by the department to remain healthy and safe or who have had parental rights terminated. Staff will monitor program budgets monthly to ensure the program is operating within appropriated funding levels and utilization is consistent with expected program growth rates. The program will monitor budget activity monthly and annually to control program expenditures within appropriated funding levels over the course of the biennium.

Obstacles and Risks: The shortage of providers willing and able to perform these services is an issue. Continuation of provider rate adjustments for foster and adoptive parents can help in assuring recruitment of providers. If increases in funding are not approved it is expected that expenditures will exceed the budgeted authority as the programs are projected to grow. If resources are not available to meet the increased demand early in the client's relationship with CFSD, they will remain in care longer, which could increase the demand on limited resources.

LFD ISSUE The requests for foster care and subsidized adoption case load increases also relate to the request for an increase in foster care provider rates in the following new proposal section. The Governor requests just over \$1 million for the biennium for provider rate increases for foster parents, group homes, etc. The total amount requested for the three proposals is \$15.4 million. (Foster care (\$8.4 million), subsidized adoption (\$5.8 million), and the rate increase (\$1.2 million))

As discussed in the program narrative, it is difficult to forecast the potential intensity of client needs and possible demand for more expensive services, but the trend at this time points to more costly services.

While the percentage increase projected by the division for subsidized adoption mirrors the LFD rate of change for FY 2007 through FY 2009 (just over 8.0 percent), the LFD estimate for foster care is lower than the division estimate. The division projects an increase of 5 percent for FY 2007 for foster care and 10 percent per year for FY 2008 and FY 2009. LFD estimates for foster care based upon current and average annual rates of change, are for 4.9 percent in FY 2007, 7 percent for FY 2008, and 7.1 percent FY 2009, resulting in an estimate that is \$3 million lower than the division estimates for the 2009 biennium, 67 percent of which would be general fund.

Updated caseload estimates and additional discussion of the level of services will be provided to the legislature in the course of the session.

LFD ISSUE The division did not provide measurements with the goals that would help this and future legislatures assess the results of the appropriation. The legislature may wish to assign measurements that could include tracking:

- The number children referred and found eligible for foster care or subsidized adoption
- The number children leaving foster care and placed with adoptive families
- The number of cases where foster care placements are averted by early contact with the families
- The number of foster care or adoptive families recruited
- The role the new FTE played in early contacts that resulted in family reunification
- Development of milestones, include a hiring timeline for the FTE

DP 30004 - FMAP Changes - The Child and Family Services Division is requesting \$0.85 million in general fund with a reduction of the same amount in federal funds for the 2009 biennium to address changes in the FMAP rate for both the Foster Care and Subsidized Adoption Programs. The FMAP rate for CFSD will decrease from 70.76 percent in FY 2006 to 68.62 percent in FY 2008 and 68.40 percent in FY 2009. The FMAP rate change results in an increase in general fund of \$383,116 in FY 2008 and \$467,670 in FY 2009. If the Montana economy continues to grow, the general fund due to FMAP could increase accordingly.

**LFD
COMMENT**

There is addition discussion of FMAP in the agency summary.

DP 30005 - Mental Health Case Management-SW Caseload Increase - - Child and Family Services Division requests \$375,000 general fund and \$125,000 federal funds for mental health case management in the 2009 biennium as a contingency request because the department has not received official clarification on what case management services are acceptable under the federal DRA. At the present time, children in foster care have case management services available from other sources such as those provided by Health Resources Division, and the contingency is proposed in the event case management will no longer be available to children in foster care.

If the contingency request is needed, \$250,000 each year would be used for contracts with non-profit entities to provide case management. These costs are allowable administrative costs under the IV-E program and would be funded at 75 percent general fund and 25 percent federal funds based upon blending administration and service costs associated with IV-E eligible children and those costs associated with non-IV-E children that must be paid with general fund.

**LFD
ISSUE**

There may be final clarification on the DRA ruling prior to the session and legislative discussion of this request, but it may not be available until after the session adjourns.

If clarification is not received prior to July 1, 2007, the amount of general fund needed to replace federal funding and continue the services as stated in the request could be overstated, or not needed at all. Should the legislature approve the request as it is presented, general fund would be increased in the base year whether it is needed or not. Therefore, the legislature may wish to designate the appropriation as restricted and one time only to allow the next legislature to assess its need.

DP 30006 - CFSD Overtime - The Child and Family Services Division is requesting \$248,042 in general fund and \$165,676 in federal funds for the 2009 biennium for overtime compensation. Overtime is not included in the "snapshot" for personal services, and is an on-going routine cost that the division requests each year. The division estimates pro-rated expenditures for elected overtime and non-elected overtime by reporting level as \$48,087 in centralized intake, \$3,154 for central office, and \$155,618 for regional offices for a biennial total of \$206,859.

**LFD
COMMENT**

The division requests \$207,000 each year of the 2009 biennium for payment of overtime and Fair Labor Standard Act (FLSA) compensated time that is paid after an FTE has accumulated 120 hours of compensated time. Overtime is incurred because social workers must respond to emergencies and centralized intake must operate around the clock. CFSD statutorily cannot have a waiting list; reports must be investigated and children in unsafe situations must be placed in out-of-home care.

While the overtime costs are primarily due to the increases in caseload, the division has requested new funding for 15.00 FTE in FY 2006 and 20.00 FTE in FY 2007 to help balance workload to the number of cases and ultimately reduce overtime hours. However, 11.00 FTE were transferred to CFSD in FY 2006 and two modified positions were added, and the overtime costs for FY 2006, as shown in Figure 30, are significantly greater than in FY 2005.

Figure 30 CFSD Overtime History				
Acutal costs	Overtime	Percent Change	FSLA Comp Time Payout	Percent Change
FY 2002	\$57,520		\$61,534	
FY 2003	62,473	8.6%	61,955	0.7%
FY 2004	66,236	6.0%	59,562	-3.9%
FY 2005	56,793	-14.3%	49,868	-16.3%
FY 2006	96,761	70.4%	102,448	105.4%
Request				
FY 2007	\$103,430	6.9%	\$103,430	1.0%
FY 2008	103,430	0.0%	103,430	0.0%
5 year Average				
2002 - 2006	\$67,957		\$67,073	
7 year Average	78,092	14.9%	77,461	15.5%

**LFD
ISSUE**

The largest amount of the overtime growth occurs in the regional offices and is related to social workers. In FY 2004 the regional offices spent \$51,400 in overtime and \$57,900 in FSLA compensated time payouts. In FY 2006 regional offices spent \$55,875 in overtime and \$99,109 in FSLA compensated time payouts. If the requested FTE are hired, retained, and managed the division may not need as much overtime funding.

The legislature may wish to restrict the appropriation and recommend measurements be articulated to track the division's success in maintaining or reducing overtime and reflect the relationship to the new FTE in reducing overtime hours.

DP 30007 - CFSD Rent Increases - The executive requests a rent increase of \$269,000 general fund and \$179,000 federal funds for the 2009 biennium to provide additional funding for rent for 39 local offices. The increase in general fund for this biennium is \$173,000 greater than the 2007 biennium request, reflecting the elimination of federal targeted case management revenue. Many of the division's lease agreements expire during the biennium and the Department of Administration will negotiate new leases. The division has seen the square footage rates for many lease agreements increase by 10 percent or more. For those lease agreements that will expire prior to June 30, 2009, the division is estimating an increase of 6 to 10 percent in most cases. The division is also seeking to increase the space in the Kalispell and Great Falls offices.

DP 30016 - Replacement computers/servers and other equipment - The executive requests \$174,000 over the biennium, of which \$104,000 is general fund, to replace 320 desktop computers, two copy machines, and three file servers in local offices throughout the state.

The division is funding this request with 60 percent general fund and 40 percent federal funds, which is the projected funding ratio after the impacts of the federal DRA has been taken into account.

**LFD
COMMENT**

Funds are requested for expenditures beyond routine computer replacement and maintenance. The legislature may wish to consider one-time-only funding.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 30003 - Federal Law Change - TCM										
03	0.00	1,800,000	0	(1,800,000)	0	0.00	1,800,000	0	(1,800,000)	0
DP 30008 - Federal Law change regarding kin care providers										
03	0.00	86,000	0	(86,000)	0	0.00	86,000	0	(86,000)	0
DP 30010 - Additional Field Staff										
03	15.00	447,161	0	298,107	745,268	20.00	588,433	0	392,288	980,721
DP 30014 - Expansion of SSI Program										
03	2.00	(202,260)	266,787	23,589	88,116	2.00	(202,194)	266,787	23,613	88,206
DP 30015 - Convert Modified In-home FTE to permanent										
03	2.00	(27,601)	0	30,286	2,685	2.00	(27,601)	0	30,362	2,761
DP 30501 - Provider Rate Increases										
03	0.00	385,623	0	189,933	575,556	0.00	385,623	0	189,933	575,556
DP 30903 - Therapeutic group Homes/Family Foster Care										
03	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
Total	19.00	\$2,988,923	\$266,787	(\$1,344,085)	\$1,911,625	24.00	\$3,130,261	\$266,787	(\$1,249,804)	\$2,147,244

DP 30003 - Federal Law Change - TCM - The executive requests \$3.6 million of general fund over the biennium to replace federal funds of the same amount that are eliminated by the federal DRA through termination of certain TCM programs when other programs may have some financial responsibility. This change in the law became effective January 1, 2006. The department has not received clear directions from the federal Medicaid agency, but believes the TCM program utilized in the CFSD is likely to be one of the programs slated for termination. The services fulfilled federal and state mandates and would be continued with general fund, if appropriated. CFSD would continue to bill for TCM services until further clarification is received.

**LFD
COMMENT**

As stated earlier, there may be final clarification on the DRA ruling prior to the session and the legislature could have the latest information prior to discussion of this request. However, as of this writing there is a possibility that states could be assigned a retroactive payback of the amounts they have billed since January 1, 2006.

As of this writing the division continues to bill for TCM services. The quarterly amounts billed for FY 2006 that would go the payback were \$403,942 and \$445,762. The first quarter of FY 2007 was billed at \$436,926. As of this writing the total payback would be \$1,286,630.

A projection of these payback amounts were included in the earliest submission of the department's FY 2006 supplemental request to the Legislative Finance Committee, but were removed when the department was sure a ruling would not come in time to impact FY 2006. The division could receive final guidance at any time. According to division staff, CFSD has no plan at this time to cover a retroactive payment. As of this writing, the amount is not included in the supplemental appropriation bill, HB 3.

The full amount of the \$1.8 million requested for FY 2008 may not be needed to replace federal funding if a ruling is not received prior to July 1, 2007. If funds are not needed, the department could transfer them to other uses. The legislature may wish to restrict these funds.

DP 30008 - Federal Law change regarding kin care providers - The Governor requests \$172,000 over the biennium in general fund to replace lost federal reimbursements for kinship care due to the federal DRA, which narrows the licensing requirement of relative caregivers retroactive to October 1, 2005. This move impacts administrative funding attached to children in unlicensed foster care homes that the division was previously allowed to claim. The division is awaiting clarification from the Administration on Children and Families with regard to how this provision should be implemented, but does not expect an impact on the services currently provided to children in the foster care system.

**LFD
COMMENT**

As with the TCM request, the requested amount for FY 2008 may not be needed to replace federal funding if a ruling is not received prior to July 1, 2007. The legislature may wish to restrict these funds.

DP 30010 - Additional Field Staff - The executive requests \$1.7 million for 15.00 new FTE in FY 2006 and 20.00 new FTE in FY 2007 in response to increasing case loads. General fund comprises \$1.0 million of the amount and federal funds about \$0.7 million. The FTE requested is funded at 60 percent general fund and 40 percent federal funds based on the blended federal funding rate in the state cost allocation plan and projected federal indirect reimbursement after targeted case management services can no longer be billed to Medicaid.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: CFSD workload analysis early data estimates show that the division would need an increase of 112.50 FTE to meet federal and state guidelines. Caseloads for foster care have increased 21 percent from November 2002 to

October 2005 and have become more complicated to manage due to the increase in children entering care with methamphetamine complications. Methamphetamine is currently a factor in 38 percent of out of home care cases and in 40 to 50 percent of all new cases, which indicates a continued increase. Children placed in foster care because of drugs have characteristics associated with longer stays and greater services needs. Consequentially, they don't leave a social worker's list to make room for newcomers.

Goals, Performance Criteria and Milestones: The goal of increasing field staff is to address critical caseload issues and meet federal and state regulations. Staff will monitor program budgets monthly to ensure the program is operating within funding appropriated levels and that utilization is consistent with expected program growth rates. Eligible individuals will continue to receive appropriate care as authorized by the program's rules.

Obstacles and Risks: Shortages of staff who are trained and willing to perform this difficult work may be an issue. Continuation of the title IV-E stipend program for training social workers in secondary education could help. If increases in funding are not approved, CFSD may not meet federal and state mandates for keeping children safe, resulting in possible federal funding reductions or sanctions.

**LFD
ISSUE**

The goals, criteria, and milestones listed do not provide measurements that allow the next legislature to assess the success of the appropriation. Additionally, this is a request that falls into a management and infrastructure discussion as discussed in the present law section regarding overtime.

Should the legislature opt to approve this request, it may wish to assign measurements that underscore the role the new FTE play in early contacts that resulted in family reunification as well as data tracking:

- The number children referred and found eligible for foster care or subsidized adoption
- The number children leaving foster care and placed with adoptive families
- The number of cases where foster care placements are averted by early contact with the families
- The number of foster care or adoptive families recruited
- Development of milestones, include a hiring timeline for the FTE

The legislature may also wish to:

- Request a report be included in the next biennium request that tracks the division's success in hiring, nurturing, and retaining the FTE and reflects the relationship to the FTE in reducing overtime hours
- Approve or disapprove the request as submitted

DP 30014 - Expansion of SSI Program - CFSD requests funding of \$176,000 over the biennium to make two modified positions permanent to address immediate and ongoing caseload growth and potentially generate general fund savings. The FTE would make SSI applications on behalf of children who are in the custody of the State of Montana and who are considered to meet the SSI criteria due typically to a physical or mental disability. Funding identified and generated goes into the state special revenue account and is used to offset the costs of foster care. The positions would be funded 73.23 percent general fund and 26.77 percent federal funds as defined in the state cost allocation plan.

**LFD
COMMENT**

CFSD estimates that the two incumbent SSI specialists generated more than \$200,000 of general fund savings in the foster care program in FY 2005.

There is additional discussion in the program narrative.

DP 30015 - Convert Modified In-home FTE to permanent - The Governor requests funding for CFSD to convert 2.00 modified FTE into permanent positions in the In-home Services Program to serve Hill, Blaine, Choteau, Liberty, and Cascade counties. The actual cost associated with the positions is \$151,000 each year of the biennium and is funded 60 percent general fund and 40 percent federal funds based upon the state cost allocation plan blend of several funding sources as applied to the regional programs. The actual split is a total of \$90,856 general fund and \$60,575 federal funds reflecting salaries and benefits of about \$37,500 per FTE per year. Funding is requested because modified positions are taken out of the base year budget.

This request comes with a companion reduction in foster care of \$73,029 general fund each year of the biennium because the 2.00 FTE would specialize in: 1) reuniting children with their families thus averting additional foster care expenses; and 2) preventing kids from entering foster care by providing family support services that allows the family to stay intact while ensuring the children are safe.

LFD COMMENT

The division intends to control caseload growth to the extent possible by providing services at the initial contact with families to avoid a child's entry into the foster care system. The legislature may wish to assign measurable goals for factors such as:

- The number of initial contacts
- Type of safety issues faced by the family
- Numbers of children that did and did not advance into foster care

DP 30501 - Provider Rate Increases - The Governor requests an increase of 2.5 percent for provider rates for the biennium. Total funds requested are \$1,151,112 with \$771,246 general funds. This rate increase would be effective for foster parents, kin care providers, group homes, shelter care facilities, etc.

Figure 31
Summary of the Foster Care Rate Matrix

	FY 2001	FY 2002 - 2005	FY 2006 - 2007	2.5 Percent Increase	
				FY 2008	FY 2009
Family and Kinship Foster Care					
Children 0 - 12 years per day	\$14.28	\$15.03	\$15.63	\$16.02	\$16.02
Children 13 - 18 years per day	\$17.34	\$18.09	\$18.81	\$19.28	\$19.28
Specialized Foster Care					
Children 0 - 2 years per day	\$26.16	\$26.91	\$26.91	\$27.58	\$27.58
Children 3 - 12 years per day	\$24.79	\$25.54	\$25.54	\$26.18	\$26.18
Children 13 - 18 years per day	\$27.81	\$28.56	\$28.56	\$29.27	\$29.27

Figure 31 shows a short history of two categories from the matrix reflecting a 2.5 percent increase for FY 2008 and FY 2009. Using the first line, the family of a 9 year old child would receive \$468.90 for 30 days of care. With the 2.5 percent increase, the family would receive \$480 for 30 days in FY 2008.

LFD ISSUE

Provider rates are calculated based upon a matrix that has not been rebased since 1988. Over the past several years the legislature has attempted to support rate increases through the provision of funding based upon \$0.50 to \$0.75 or providing a small percentage increase. However, an examination of actual provider costs, for both family and group homes, has not been done.

The legislature may wish to have the division provide information on the cost of a rebasing examination of the matrix, and the length of time it would take.

DP 30903 - Therapeutic group Homes/Family Foster Care - This decision package requests \$1,000,000 general funds over the biennium to provide funding for anticipated changes in federal Medicaid policy.

**LFD
ISSUE**

There may be final clarification prior to the session and legislative discussion of this request, but final clarification may not be available until after the session adjourns.

If clarification is not received prior to July 1, 2007, the amount of general fund needed to replace federal funding and continue the services as stated in the request could be overstated, or not needed at all. The legislature may wish to designate the appropriation as restricted and one-time-only.

Language

DP 30005 Mental Health Case Management - Child and Family Service Division is requesting \$250,000 each year of the biennium for mental health case management services. This request is contingent upon anticipated revisions to Centers for Medicare & Medicaid Services (CMS) federal regulations, which would disallow reimbursement for certain case management services for children in foster care. DPHHS would need to provide case management services through contracts with non-profit entities. It is estimated that \$375,000 general fund would be needed in the biennium.